

1 *House* BILL NO. *555*
 2 INTRODUCED BY *Simpkins Mowse Rose Lipech Teske*
 3 *D. G. Hite* *Kotel* *Issa* *Fagan* *Oks*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT EXTENDING THE 30 CENTS PER GALLON TAX INCENTIVE FOR
 5 PRODUCTION OF ALCOHOL; LIMITING TO \$3 MILLION THE MAXIMUM AMOUNT PAYABLE TO A *Fester*
 6 PRODUCER; AND AMENDING SECTION 15-70-522, MCA. *Kityehory* *WISSEMAN*
 7 *St. John* *Rehder* *Zook* *Wyed* *Carlson* *Swanson*
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: *Raney* *W. Ryan* *Clark*
 9 *Chrostka* *Franklin* *Wilson* *Orchery* *Johnson*

10 Section 1. Section 15-70-522, MCA, is amended to read:

11 "15-70-522. (Temporary) Tax incentive for production of alcohol -- ~~written~~ plan required --
 12 reservation of incentives -- rules. (1) (a) If the alcohol was produced in Montana from Montana agricultural
 13 products, including Montana wood or wood products, or if the alcohol was produced from non-Montana
 14 agricultural products when Montana products are not available, there is a tax incentive payable to alcohol
 15 distributors for distilling alcohol that:

- 16 (i) was blended with gasoline for sale as gasohol in Montana;
- 17 (ii) was exported from Montana and has been blended with gasoline for sale as gasohol; or
- 18 (iii) was used in the production of ethyl tertiary butyl ether for use in reformulated gasoline.
- 19 (b) Payment must be made by the department out of the amount collected under 15-70-204.

20 (2) (a) Except as provided in subsections (3) and (4), the tax incentive on each gallon of alcohol
 21 distilled in accordance with subsection (1) is 30 cents per gallon for each gallon that is 100% produced
 22 from Montana products, with the amount of the tax incentive per gallon reduced proportionately, based
 23 upon the amount of agricultural or wood products not produced in Montana that is used in the production
 24 of the alcohol.

25 (b) Beginning July 1, ~~2004~~ 2005, there is no tax incentive.

26 (3) Regardless of the alcohol tax incentive provided in subsection (2), the total payments made for
 27 the incentive under this part may not exceed \$6 million in any consecutive 12-month period beginning April
 28 1, 1985.

29 (4) An alcohol distributor may not receive tax incentive payments under subsection (2) that exceed
 30 \$3 million in any consecutive 12-month period ~~beginning April 1, 1985.~~



1 (5) An alcohol distributor who begins production after July 1, 1991, may not receive tax incentive
2 payments under subsection (2) unless the distributor has provided a written plan to the department of
3 transportation at least 18 months before the distributor's anticipated collection of the tax incentives. The
4 plan must contain the following information:

5 (a) the source or sources of financing for the acquisition of the plant, land, and equipment used
6 for the production of alcohol;

7 (b) the anticipated source of agricultural products used in the production of alcohol; and

8 (c) the anticipated time, quantity, and duration of production of alcohol.

9 (6) An alcohol distributor in production before July 1, 1991, is entitled to apply for the maximum
10 tax incentive payment allowed under subsection (4) without providing a written plan as required in
11 subsection (5).

12 (7) (a) Except as provided in subsection (7)(b), the department shall reserve, in the order that
13 written plans required under subsection (5) are received by the department, alcohol tax incentives based
14 on the anticipated time, quantity, and duration of production. Payment of the alcohol tax incentives must
15 be based on actual production.

16 (b) No later than 1 year after the written plan is received under subsection (5), the department shall
17 determine whether an alcohol distributor is complying with the written plan. The department may reduce
18 or cancel the reservation of the tax incentive provided in this subsection (7) if the department determines
19 that the alcohol distributor has not materially complied with the written plan.

20 (8) A new tax incentive payment may not be made if the total tax incentive established in
21 subsection (3) has been reserved or paid. If an alcohol tax incentive has been reduced or canceled, the
22 amount by which the tax incentive has been reduced or canceled is available for reservation as provided
23 in subsection (7)(a).

24 (9) The department shall prescribe rules necessary to carry out the provisions of this section.
25 (Terminates July 1, 1997--sec. 2, Ch. 592, L. 1993.)

26 **15-70-522. (Effective July 1, 1997) Tax incentive for production of alcohol -- written plan required**
27 **-- reservation of incentives -- rules.** (1) (a) If the alcohol was produced in Montana from Montana
28 agricultural products, including Montana wood or wood products, or if the alcohol was produced from
29 non-Montana agricultural products when Montana products are not available, there is a tax incentive
30 payable to alcohol distributors for distilling alcohol that:

1 (i) was blended with gasoline for sale as gasohol in Montana;

2 (ii) was exported from Montana and has been blended with gasoline for sale as gasohol; or

3 (iii) was used in the production of ethyl butyl ether for use in reformulated gasoline.

4 (b) Payment must be made by the department out of the amount collected under 15-70-204.

5 (2) Except as provided in subsections (3) and (4), the tax incentive on each gallon of alcohol
6 distilled in accordance with subsection (1) is:

7 ~~(a) beginning July 1, 1983, 70 cents per gallon;~~

8 ~~(b) beginning April 1, 1985, 50 cents per gallon;~~

9 ~~(c) beginning April 1, 1987, 30 cents per gallon; for each gallon that is 100% produced from~~
10 Montana products, with the amount of the tax incentive per gallon reduced proportionately, based upon
11 the amount of agricultural or wood products not produced in Montana that is used in the production of the
12 alcohol, and ~~for~~ beginning July 1, 2001 2005, and thereafter, there is no tax incentive.

13 (3) Regardless of the alcohol tax incentive provided in subsection (2), the total payments made for
14 the incentive under this part may not exceed \$6 million in any consecutive 12-month period ~~beginning April~~
15 ~~1, 1985.~~

16 (4) An alcohol distributor may not receive tax incentive payments under subsection (2) that exceed
17 ~~\$1.5~~ \$3 million in any consecutive 12-month period ~~beginning April 1, 1985.~~

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19 payments under subsection (2) unless ~~he~~ the distributor has provided a written plan to the department of
20 transportation at least 18 months before ~~his~~ the distributor's anticipated collection of the tax incentives.
21 The plan must contain the following information:

22 (a) the source or sources of financing for the acquisition of the plant, land, and equipment used
23 for the production of gasohol;

24 (b) the anticipated source of agricultural products used in the production of gasohol; and

25 (c) the anticipated time, quantity, and duration of production of gasohol.

26 (6) An alcohol distributor in production before July 1, 1991, is entitled to apply for the maximum
27 tax incentive payment allowed under subsection (4) without providing a written plan as required in
28 subsection (5).

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30 written plans required under subsection (5) are received by the department, alcohol tax incentives based

1 on the anticipated time, quantity, and duration of production. Payment of the alcohol tax incentives must
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3 (b) No later than 1 year after the written plan is received under subsection (5), the department shall
4 determine whether an alcohol distributor is complying with the written plan. The department may reduce
5 or cancel the reservation of the tax incentive provided in this subsection (7) if the department determines
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8 subsection (3) has been reserved or paid. If an alcohol tax incentive has been reduced or canceled, the
9 amount by which the tax incentive has been reduced or canceled is available for reservation as provided
10 in subsection (7)(a).

11 (9) The department shall prescribe rules necessary to carry out the provisions of this section."
12

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0555, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill extending the 30 cents per gallon tax incentive for production of alcohol, and limiting to \$3 million the maximum amount payable to a producer.

ASSUMPTIONS:

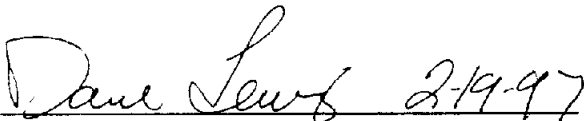
1. Currently no facilities are producing alcohol in Montana.
2. Statute requires that a facility planning to produce alcohol provide a written plan to the Montana Department of Transportation (MDT) 18 months prior to receiving incentive payment. To date, no facility has provided a written plan reserving the tax incentive.

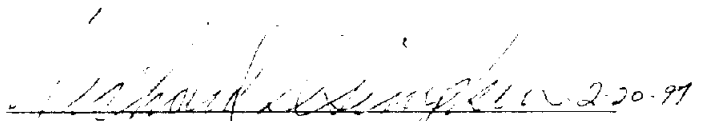
FISCAL IMPACT:

Passage of HB 555 will have no fiscal impact on state government.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The bill extends the life of the incentive provision for four additional years. Thus the MDT has an increased maximum liability as a result of this bill of \$24 million (4 years x \$6 million).


DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning


RICHARD SIMPKINS, PRIMARY SPONSOR DATE

Fiscal Note for HB0555, as introduced

HB 555

1 *House* BILL NO. *555*
 2 INTRODUCED BY *Simpkins Morrow Rose Lipech Teske*
 3 *D. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT EXTENDING THE 30 CENTS PER GALLON TAX INCENTIVE FOR
 5 PRODUCTION OF ALCOHOL; LIMITING TO \$3 MILLION THE MAXIMUM AMOUNT PAYABLE TO A
 6 PRODUCER; AND AMENDING SECTION 15-70-522, MCA. *Kitzberger* *WISEMAN*
 7 *Rehder* *W. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel*
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: *Raney* *W. H. Heltzel*
 9 *W. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel* *W. H. Heltzel*

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- 18 (iii) was used in the production of ethyl tertiary butyl ether for use in reformulated gasoline.
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24 (9) The department shall prescribe rules necessary to carry out the provisions of this section.
25 (Terminates July 1, 1997--sec. 2, Ch. 592, L. 1993.)

26 **15-70-522. (Effective July 1, 1997) Tax incentive for production of alcohol -- written plan required**
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8 ~~(b) beginning April 1, 1985, 50 cents per gallon;~~

9 ~~(c) beginning April 1, 1987, 30 cents per gallon;~~ for each gallon that is 100% produced from
10 Montana products, with the amount of the tax incentive per gallon reduced proportionately, based upon
11 the amount of agricultural or wood products not produced in Montana that is used in the production of the
12 alcohol, and ~~(d) beginning July 1, 2001-2005, and thereafter,~~ there is no tax incentive.

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11 (9) The department shall prescribe rules necessary to carry out the provisions of this section."

12 -END-

1 House BILL NO. 555
2 INTRODUCED BY *Simpkins, Munn, Rose, Lynch, Tash*

3 *D. Ziegler, Kotel, Luss, Fagan, Ohs*
4 A BILL FOR AN ACT ENTITLED: "AN ACT EXTENDING THE 30 CENTS PER GALLON TAX INCENTIVE FOR
5 PRODUCTION OF ALCOHOL; LIMITING TO \$3 MILLION THE MAXIMUM AMOUNT PAYABLE TO A
6 PRODUCER; AND AMENDING SECTION 15-70-522, MCA. *WISEMAN*

7 *Rehbein, Cook, Wylde, Carlmitt, Swanson*
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: *Raney, W. Ryan, Clark*
9 *Chico, G. H. Johnson*

10 Section 1. Section 15-70-522, MCA, is amended to read: *W. Ryan*

11 "15-70-522. (Temporary) Tax incentive for production of alcohol -- written plan required --
12 reservation of incentives -- rules. (1) (a) If the alcohol was produced in Montana from Montana agricultural
13 products, including Montana wood or wood products, or if the alcohol was produced from non-Montana
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23 upon the amount of agricultural or wood products not produced in Montana that is used in the production
24 of the alcohol.

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27 the incentive under this part may not exceed \$6 million in any consecutive 12-month period beginning April
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19 that the alcohol distributor has not materially complied with the written plan.

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22 amount by which the tax incentive has been reduced or canceled is available for reservation as provided
23 in subsection (7)(a).

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25 (Terminates July 1, 1997--sec. 2, Ch. 592, L. 1993.)

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- 6 distilled in accordance with subsection (1) is:
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- 11 the amount of agricultural or wood products not produced in Montana that is used in the production of the
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- 17 ~~\$1.5~~ \$3 million in any consecutive 12-month period ~~beginning April 1, 1985.~~
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- 20 transportation at least 18 months before ~~he~~ the distributor's anticipated collection of the tax incentives.
- 21 The plan must contain the following information:
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- 23 for the production of gasohol;
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House BILL NO. 555

INTRODUCED BY

Simpkins *Morgan* *Rose* *Lynch* *Jesse*
Dotel *Wynn* *Foyen* *Chadwick*

A BILL FOR AN ACT ENTITLED: "AN ACT EXTENDING THE 30 CENTS PER GALLON TAX INCENTIVE FOR PRODUCTION OF ALCOHOL; LIMITING TO \$3 MILLION THE MAXIMUM AMOUNT PAYABLE TO A PRODUCER; AND AMENDING SECTION 15-70-522, MCA.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-70-522, MCA, is amended to read:

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(3) Regardless of the alcohol tax incentive provided in subsection (2), the total payments made for the incentive under this part may not exceed \$6 million in any consecutive 12-month period beginning April 1, 1985.

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27 **-- reservation of incentives -- rules.** (1) (a) If the alcohol was produced in Montana from Montana
28 agricultural products, including Montana wood or wood products, or if the alcohol was produced from
29 non-Montana agricultural products when Montana products are not available, there is a tax incentive
30 payable to alcohol distributors for distilling alcohol that:

- 1 (i) was blended with gasoline for sale as gasohol in Montana;
- 2 (ii) was exported from Montana and has been blended with gasoline for sale as gasohol; or
- 3 (iii) was used in the production of ethyl butyl ether for use in reformulated gasoline.
- 4 (b) Payment must be made by the department out of the amount collected under 15-70-204.
- 5 (2) Except as provided in subsections (3) and (4), the tax incentive on each gallon of alcohol
- 6 distilled in accordance with subsection (1) is:
- 7 ~~(a) beginning July 1, 1983, 70 cents per gallon;~~
- 8 ~~(b) beginning April 1, 1985, 50 cents per gallon;~~
- 9 ~~(c) beginning April 1, 1987, 30 cents per gallon;~~ for each gallon that is 100% produced from
- 10 Montana products, with the amount of the tax incentive per gallon reduced proportionately, based upon
- 11 the amount of agricultural or wood products not produced in Montana that is used in the production of the
- 12 alcohol, and ~~(d) beginning July 1, 2001-2005, and thereafter,~~ there is no tax incentive.
- 13 (3) Regardless of the alcohol tax incentive provided in subsection (2), the total payments made for
- 14 the incentive under this part may not exceed \$6 million in any consecutive 12-month period ~~beginning April~~
- 15 ~~1, 1985.~~
- 16 (4) An alcohol distributor may not receive tax incentive payments under subsection (2) that exceed
- 17 ~~\$1.5~~ \$3 million in any consecutive 12-month period ~~beginning April 1, 1985.~~
- 18 (5) An alcohol distributor who begins production after July 1, 1991, may not receive tax incentive
- 19 payments under subsection (2) unless ~~he~~ the distributor has provided a written plan to the department of
- 20 transportation at least 18 months before ~~his~~ the distributor's anticipated collection of the tax incentives.
- 21 The plan must contain the following information:
- 22 (a) the source or sources of financing for the acquisition of the plant, land, and equipment used
- 23 for the production of gasohol;
- 24 (b) the anticipated source of agricultural products used in the production of gasohol; and
- 25 (c) the anticipated time, quantity, and duration of production of gasohol.
- 26 (6) An alcohol distributor in production before July 1, 1991, is entitled to apply for the maximum
- 27 tax incentive payment allowed under subsection (4) without providing a written plan as required in
- 28 subsection (5).
- 29 (7) (a) Except as provided in subsection (7)(b), the department shall reserve, in the order that
- 30 written plans required under subsection (5) are received by the department, alcohol tax incentives based

1 on the anticipated time, quantity, and duration of production. Payment of the alcohol tax incentives must
2 be based on actual production.

3 (b) No later than 1 year after the written plan is received under subsection (5), the department shall
4 determine whether an alcohol distributor is complying with the written plan. The department may reduce
5 or cancel the reservation of the tax incentive provided in this subsection (7) if the department determines
6 that the alcohol distributor has not materially complied with the written plan.

7 (8) A new tax incentive payment may not be made if the total tax incentive established in
8 subsection (3) has been reserved or paid. If an alcohol tax incentive has been reduced or canceled, the
9 amount by which the tax incentive has been reduced or canceled is available for reservation as provided
10 in subsection (7)(a).

11 (9) The department shall prescribe rules necessary to carry out the provisions of this section.”

12

-END-

HOUSE BILL NO. 555

INTRODUCED BY SIMPKINS, MESAROS, ROSE, LYNCH, TASH, TROPILA, KOTTEL, TUSS, M. HANSON, HARPER, OHS, BOHLINGER, HERTEL, GALVIN, FOSTER, PECK, SCHMIDT, HARRINGTON, STANG, BARNETT, KITZENBERG, WISEMAN, GRINDE, HAYNE, REHBEIN, ZOOK, WYATT, PAVLOVICH, SWANSON, KNOX, DEBRUYCKER, RANEY, RYAN, CLARK, CHRISTIAENS, FRANKLIN, WILSON, DOHERTY, J. JOHNSON, HARP, VAN VALKENBURG

A BILL FOR AN ACT ENTITLED: "AN ACT EXTENDING THE 30 CENTS PER GALLON TAX INCENTIVE FOR PRODUCTION OF ALCOHOL; LIMITING TO \$3 MILLION THE MAXIMUM AMOUNT PAYABLE TO A PRODUCER; AND AMENDING SECTION 15-70-522, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-70-522, MCA, is amended to read:

"15-70-522. (Temporary) Tax incentive for production of alcohol -- written plan required -- reservation of incentives -- rules. (1) (a) If the alcohol was produced in Montana from Montana agricultural products, including Montana wood or wood products, or if the alcohol was produced from non-Montana agricultural products when Montana products are not available, there is a tax incentive payable to alcohol distributors for distilling alcohol that:

- (i) was blended with gasoline for sale as gasohol in Montana;
(ii) was exported from Montana and has been blended with gasoline for sale as gasohol; or
(iii) was used in the production of ethyl tertiary butyl ether for use in reformulated gasoline.

(b) Payment must be made by the department out of the amount collected under 15-70-204.

(2) (a) Except as provided in subsections (3) and (4), the tax incentive on each gallon of alcohol distilled in accordance with subsection (1) is 30 cents per gallon for each gallon that is 100% produced from Montana products, with the amount of the tax incentive per gallon reduced proportionately, based upon the amount of agricultural or wood products not produced in Montana that is used in the production of the alcohol.

(b) Beginning July 1, ~~2004~~ 2005, there is no tax incentive.

(3) Regardless of the alcohol tax incentive provided in subsection (2), the total payments made for

1 the incentive under this part may not exceed \$6 million in any consecutive 12-month period beginning April
2 1, 1985.

3 (4) An alcohol distributor may not receive tax incentive payments under subsection (2) that exceed
4 \$3 million in any consecutive 12-month period ~~beginning April 1, 1985.~~

5 (5) An alcohol distributor who begins production after July 1, 1991, may not receive tax incentive
6 payments under subsection (2) unless the distributor has provided a written plan to the department of
7 transportation at least 18 months before the distributor's anticipated collection of the tax incentives. The
8 plan must contain the following information:

9 (a) the source or sources of financing for the acquisition of the plant, land, and equipment used
10 for the production of alcohol;

11 (b) the anticipated source of agricultural products used in the production of alcohol; and

12 (c) the anticipated time, quantity, and duration of production of alcohol.

13 (6) An alcohol distributor in production before July 1, 1991, is entitled to apply for the maximum
14 tax incentive payment allowed under subsection (4) without providing a written plan as required in
15 subsection (5).

16 (7) (a) Except as provided in subsection (7)(b), the department shall reserve, in the order that
17 written plans required under subsection (5) are received by the department, alcohol tax incentives based
18 on the anticipated time, quantity, and duration of production. Payment of the alcohol tax incentives must
19 be based on actual production.

20 (b) No later than 1 year after the written plan is received under subsection (5), the department shall
21 determine whether an alcohol distributor is complying with the written plan. The department may reduce
22 or cancel the reservation of the tax incentive provided in this subsection (7) if the department determines
23 that the alcohol distributor has not materially complied with the written plan.

24 (8) A new tax incentive payment may not be made if the total tax incentive established in
25 subsection (3) has been reserved or paid. If an alcohol tax incentive has been reduced or canceled, the
26 amount by which the tax incentive has been reduced or canceled is available for reservation as provided
27 in subsection (7)(a).

28 (9) The department shall prescribe rules necessary to carry out the provisions of this section.
29 (Terminates July 1, 1997--sec. 2, Ch. 592, L. 1993.)

30 **15-70-522. (Effective July 1, 1997) Tax incentive for production of alcohol -- written plan required**

1 -- **reservation of incentives -- rules.** (1) (a) If the alcohol was produced in Montana from Montana
 2 agricultural products, including Montana wood or wood products, or if the alcohol was produced from
 3 non-Montana agricultural products when Montana products are not available, there is a tax incentive
 4 payable to alcohol distributors for distilling alcohol that:

- 5 (i) was blended with gasoline for sale as gasohol in Montana;
- 6 (ii) was exported from Montana and has been blended with gasoline for sale as gasohol; or
- 7 (iii) was used in the production of ethyl butyl ether for use in reformulated gasoline.

8 (b) Payment must be made by the department out of the amount collected under 15-70-204.

9 (2) Except as provided in subsections (3) and (4), the tax incentive on each gallon of alcohol
 10 distilled in accordance with subsection (1) is:

11 ~~(a) beginning July 1, 1983, 70 cents per gallon;~~

12 ~~(b) beginning April 1, 1985, 50 cents per gallon;~~

13 ~~(c) beginning April 1, 1987, 30 cents per gallon;~~ for each gallon that is 100% produced from
 14 Montana products, with the amount of the tax incentive per gallon reduced proportionately, based upon
 15 the amount of agricultural or wood products not produced in Montana that is used in the production of the
 16 alcohol, and ~~(d) beginning July 1, 2001 2005, and thereafter,~~ there is no tax incentive.

17 (3) Regardless of the alcohol tax incentive provided in subsection (2), the total payments made for
 18 the incentive under this part may not exceed \$6 million in any consecutive 12-month period ~~beginning April~~
 19 ~~1, 1985.~~

20 (4) An alcohol distributor may not receive tax incentive payments under subsection (2) that exceed
 21 ~~\$1.5~~ \$3 million in any consecutive 12-month period ~~beginning April 1, 1985.~~

22 (5) An alcohol distributor who begins production after July 1, 1991, may not receive tax incentive
 23 payments under subsection (2) unless ~~he~~ the distributor has provided a written plan to the department of
 24 transportation at least 18 months before ~~his~~ the distributor's anticipated collection of the tax incentives.
 25 The plan must contain the following information:

26 (a) the source or sources of financing for the acquisition of the plant, land, and equipment used
 27 for the production of gasohol;

28 (b) the anticipated source of agricultural products used in the production of gasohol; and

29 (c) the anticipated time, quantity, and duration of production of gasohol.

30 (6) An alcohol distributor in production before July 1, 1991, is entitled to apply for the maximum

1 tax incentive payment allowed under subsection (4) without providing a written plan as required in
2 subsection (5).

3 (7) (a) Except as provided in subsection (7)(b), the department shall reserve, in the order that
4 written plans required under subsection (5) are received by the department, alcohol tax incentives based
5 on the anticipated time, quantity, and duration of production. Payment of the alcohol tax incentives must
6 be based on actual production.

7 (b) No later than 1 year after the written plan is received under subsection (5), the department shall
8 determine whether an alcohol distributor is complying with the written plan. The department may reduce
9 or cancel the reservation of the tax incentive provided in this subsection (7) if the department determines
10 that the alcohol distributor has not materially complied with the written plan.

11 (8) A new tax incentive payment may not be made if the total tax incentive established in
12 subsection (3) has been reserved or paid. If an alcohol tax incentive has been reduced or canceled, the
13 amount by which the tax incentive has been reduced or canceled is available for reservation as provided
14 in subsection (7)(a).

15 (9) The department shall prescribe rules necessary to carry out the provisions of this section."
16

-END-